

Message Text

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ACTION EA-09

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SUBJECT: KEY ECONOMIC INDICATORS FOR MAY, 1976

REF : (A) TAIPEI 3725; (B) STATE 057673

1. HIGHLIGHTS: TAIWAN'S ECONOMY CONTINUED PACE OF RECOVERY IN MAY. FOREIGN EXCHANGE RESERVES INCREASED BY \$23 MILLION TO \$1.99 BILLION. FOREIGN TRADE (CUSTOMS) IN MAY THOUGH DWINDLED FROM PEAK RECORDS IN FEBRUARY AND APRIL, STILL SURPASSING JANUARY AND MARCH PERFORMANCE TO REGISTER \$609 MILLION IN EXPORTS AND \$613 MILLION IN IMPORTS. TWO-WAY TRADE IN FIRST FIVE MONTHS 1976 REACHED \$5.9 BILLION SHOWING 39 PERCENT INCREASE OVER SAME PERIOD 1975, AND 14.8 PERCENT MORE THAN LAST FIVE MONTHS 1975. LATTER GROWTH SHOULD BE VIEWED MORE MEANINGFUL SINCE FORMER COMPARISON BASED ON PERIOD INCLUDING TROUGH OF RECESSION IN FIRST QUARTER 1975, THEREBY EXAGGERATING GROWTH RATE. TRADE BALANCE IN FIRST FIVE MONTHS 1976 FAVORED ROC BY \$86 MILLION VERSUS \$259 MILLION DEFICIT IN FIRST FIVE MONTHS 1975 AND \$295 MILLION DEFICIT IN LAST FIVE MONTHS 1975. BOOMING US MARKET WAS PRINCIPAL MOTIVATING FORCE OF TAIWAN'S SURGING EXPORTS, ACCOUNTING UNCLASSIFIED

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FOR 36.8 PERCENT OF TAIWAN'S TOTAL EXPORTS IN JANUARY-

MAY 1976 COMPARED TO 32.2 PERCENT IN SAME PERIOD 1975. US SHARE OF TAIWAN MARKET DECLINED ON OTHER HAND TO 24.0 PERCENT IN CURRENT FIVE-MONTH PERIOD FROM 30.2 PERCENT A YEAR AGO. CONSEQUENTLY, ROC'S FAVORABLE TRADE BALANCE WITH US IN FIRST FIVE MONTHS 1976 REACHED \$405 MILLION VERSUS \$39 MILLION IN US FAVOR IN SAME PERIOD 1975. GIVEN FOREIGN ASSET BUILD-UP AND MORE ACTIVE ECONOMY, MONEY SUPPLY INCREASED BY 2.02 PERCENT IN MAY TO \$2.9 BILLION. HOWEVER, ITS ANNUAL GROWTH RATE DECREASED TO 17.8 PERCENT FROM 21.3 PERCENT IN APRIL, IMPLYING THAT GROWTH IN MONEY THOUGH SUBSTANTIAL IN MAY STILL WEAKER THAN LAST MAY. INDUSTRIAL PRODUCTION INDEX IN MAY UP 2.7 PERCENT OVER APRIL, OR 31.5 PERCENT IN FIRST FIVE MONTHS 1976 OVER SAME PERIOD 1975, AND 9.9 PERCENT OVER LAST FIVE MONTHS 1975. LATTER COMPARISON SUGGESTS (1) MUCH HIGHER RATE OF INDUSTRIAL GROWTH IN 1976 THAN 8.3 PERCENT TARGET ENVISIONED IN THE ANNUAL PLAN (TAIPEI A-079 OF 5/14/76) WHICH COULD REACH 15 PERCENT ASSUMING NO MAJOR SETBACK IN EXPORT SALES IN REMAINING MONTHS OF 1976, AND (2) MUCH HIGHER GNP GROWTH THAN 6.4 PERCENT GOAL ALSO SET IN THE PLAN, A POSSIBLE BUT MINOR DETERRENT FACTOR TO INDUSTRIAL GROWTH IS INSUFFICIENT POWER SUPPLY. WITH WARMER WEATHER, POWER GENERATION IN MAY INCREASED 8.8 PERCENT OVER APRIL BUT POWER USED BY INDUSTRY DECREASED 3.6 PERCENT. LOW PRICED POWER RATE FOR HOUSEHOLDS (2.4 CENT TO 3.7 PERCENT PER KWH AND UNCHANGED SINCE FEBRUARY 1974) ENCOURAGES EXCESSIVE USE OF POWER FOR HOUSE COOLING, THEREBY AFFECTING ITS SUPPLY TO INDUSTRY. EFFECTIVE JUNE 24, POWER SUPPLY TO SIX INDUSTRIES - ALUMINUM, FERTILIZER, ALKALI, STEEL, PAPER AND CARBIDE - CURTAILED BY 171 MEGA WATTS (ABOUT 4 PERCENT OF RECENT PEAK LOAD OF 4,156 MEGA WATTS). CURTAILMENT WOULD LAST UNTIL COMPLETION OF OVERHAULING OF NO. 2,350 MEGA WATT THERMAL GENERATOR AT LINKOU ESTIMATED TO TAKE ONE AND HALF MONTHS, OR HYDRO SYSTEM GETS MORE RAINFALL. AN EFFECTIVE SOLUTION IS TO RAISE POWER RATES FOR HOUSE USE TO A MORE REALISTIC LEVEL REFLECTING COST PLUS REASONABLE RETURN, A CHANGE WHICH GROUPO UNLIKELY TO MAKE AT THIS MOMENT FEARING ITS INFLATIONARY IMPACT. HOWEVER, WITH HEAVY TORRENTIAL RAIN ON JULY 2-4, POWER SUPPLY TO SAID SIX INDUSTRIES WAS RESTORED ON JULY 5. PROBLEM IS TEMPORARILY SHELVED. CONSUMER PRICES IN MAY UNCLASSIFIED

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DECLINED FIRST TIME AFTER STEADY RISES IN PRECEDING FOUR MONTHS, RESULTING IN 4.5 PERCENT INCREASE OVER MAY 1975. WHOLESALE PRICES CONTINUED INCREASING TREND BUT AT SLOWER PACE, REGISTERING 0.31 PERCENT HIGHER IN MAY THAN APRIL (EQUAL 3.78 PERCENT COMPOUNDED ANNUALLY) COMPARED TO AVERAGE MONTHLY GROWTH OF 0.71 PERCENT IN FEBRUARY THROUGH APRIL (EQUAL 8.86 PERCENT COMPOUNDED ANNUALLY).

2. KEY ROC ECONOMIC INDICATORS FOR MAY: ALL FIGURES IN
US DOLLARS MILLIONS AND ROUNDED. FIGURES REVISED SINCE
PREVIOUS REPORT IN PARENTHESES:

| (A) | (B) | (C) | (D) | (E) | (F) | (G) | (H) |
|--------|--------|---------|---------|---------|--------|---------|---------|
| | | PERCENT | | PERCENT | | PERCENT | |
| MAY 76 | APR 76 | MAY 75 | A/B - 1 | A/C - 1 | J-M 76 | J-M 75 | F/G - 1 |

MONEY SUPPLY:

2,878 2,821 2,443 2.02 17.83

NET FOREIGN ASSETS OF BANKING SYSTEM:

1,992 1,969 1,932 1.19 3.10

IMPORTS ON CUSTOMS BASIS:

613.1 (615.9) 408.6 -0.45 50.05 2,905.6 2,251.0 29.08

EXPORTS ON CUSTOMS BASIS:

609E 640.2 430.7 -4.83 41.47 2,991.8 1,991.7 50.21

TRADE BALANCE:

-3.8 (24.3) 22.1 86.2 -259.3

IMPORTS ON FOREIGN EXCHANGE SETTLEMENT BASIS:

651.1 622.3 449.1 4.63 44.98 2,828.9 1,948.4 45.19

EXPORTS ON FOREIGN EXCHANGE SETTLEMENT BASIS:

-63.8 (654.8) 493.4 1.37 34.54 3,048.0 2,223.5 37.08

TRADE BALANCE ON FOREIGN EXCHANGE SETTLEMENT BASIS:

12.7 (32.5) 44.3 219.1 275.1

IMPORTS FROM US (CUSTOMS):

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163.3 149.9 112.0 8.94 45.80 696.2 681.7 2.13

EXPORT TO US (CUSTOMS):

240.4 238.8 139.2 0.67 72.70 1,101.1 642.6 71.35

TRADE BALANCE WITH US (CUSTOMS):

77.1 88.9 27.2 404.9 -39.1

INDUSTRIAL PRODUCTION INDEX (1971 EQUAL 100):

192.3 (187.2) 151.2 2.72 27.18 179.1 136.2 31.50

WHOLESALE PRICE INDEX (1971 EQUAL 100):

175.48 174.93 170.30 0.31 3.04 173.58 170.34 1.90

URBAN CONSUMER PRICE INDEX (1971 EQUAL 100):

178.16 179.19 170.51 -0.57 4.49 176.84 170.28 3.85

FOREIGN INVESTMENT APPROVAL VALUE:

7.72 7.20 4.83 7.09 59.86 30.02 32.38 -7.28

US INVESTMENT APPROVAL VALUE:

1.29 0.90 0.16 43.40 707.50 3.83 10.89 -64.84

3. KEY PRODUCTION FIGURES FOR MAY, 1976:

POWER GENERATION (MILLION KWH):

2,327 2,139 1,894 8.79 22.85 10,269 4,449 21.53

YARN (1,000 BALES):

145.5 (143.8) 125.1 1.18 16.31 692.6 526.0 31.67

MAN-MADE FIBER (M/T):

28,783 (28,544) 22,466 0.84 28.12 141,104 87,198 61.82

PLASTIC POWDER (M/T):

19,926 (20,409) 9,005 -2.37 121.28 103,040 45,572 126.10

FERTILIZER (1,000 M/T):

110.4 (99.2) 110.0 11.29 -0.54 504.8 523.1 -3.50

OIL REFINING (1,000 KL):

1,025.9 1,160.5 739.5 -11.60 38.73 5,288.1 3,505.9 50.83

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CEMENT (1,000 M/T):

742.8 (708.3) 553.6 4.87 34,18 3,405.2 2,719.2 25.23

STEEL MILL PRODUCTS (1,000 M/T):

116.7 (104.8) 76.3 11.35 52.95 498.9 358.0 39.36

TELEVISION (1,000 PIECES):

78.0 (72.0) 55.0 8.33 41.82 335.0 268.0 25.00

COAL (1,000 M/T):

279.0 (271.3) 268.7 2.84 3.83 1,274.6 1,255.4 1.53

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